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China, Peoples Republic of

Market Development Reports

Getting New Food Products into China

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Report Highlights:

ATO Guangzhou launches a product assessment support service (PASS) to help introduce new food products to South China. In cooperation with ATO Hong Kong, it also plans to assist a target supermarket to source U.S. food products. Interested exporters are requested to contact Guangzhou or Hong Kong.

Includes PSD changes: No
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Guangzhou [CH3], CH

Getting New Food Products into China

Finding an importer

With China's accession to the WTO and the emphasis on common standards and transparency, getting food products into China has become more difficult. Labeling in Chinese will become a nationwide requirement as of July 1, 2002. In addition to product contents (ingredients), net weight, production date and place, product life, storage method, producer name and address, the label has to list the name and contact information for the local agent responsible for product. Finding a local agent, not merely selling the product to an interested party, has become the first step in exporting to China.

Selecting a new product

As a corollary, whether a product is market competitive and has sales potential in China is the primary criterion for a Chinese importer willingness to be its agent. Factors affecting sales potential include pricing, product quality, packaging (the item is neither too big nor too small), and taste (not too sweet for Southern China). An agent would also needs assurance of the exporter's ability to supply the products without undue interruption. As new products are relatively unknown, promotion is critical. An importer would be willing to sign on as an agent of a foreign product if the producer/exporter is willing to assume or share the cost of product promotion. For a successful introduction of new products, both the producer/exporter and the importer/wholesaler need to have the assurance and confidence that they will make reasonable profit, a win-win situation.

The role of the wholesalers

As promoting the import of new food products is the primary mission of the Agricultural Trade Office in Guangzhou, we have discussed extensively with supermarket managers, wholesalers, importers, and food safety officials on how best to introduce products in this new environment. At this stage of market condition, we have been advised that doing direct in-store promotion is not a viable strategy for moving U.S. products. We have to use the wholesalers network to move our products and the wholesalers are dependent on a handful of importers for their supplies.

Product Assessment Support Service (PASS)

We are now launching a product assessment support service (PASS) through which U.S. food exporters can decide if they wish to export to China. Later this year or early next year, ATO/Guangzhou and ATO/Hong Kong will also work with a major U.S. supplier to introduce products selected by a target supermarket in Guangzhou.

To use the product assessment support service (PASS), all that U.S. exporters need to do is to send one kilogram of product sample to our office. We will ask three local importers in Zhuhai, Guangzhou, and Guilin to assess the product's sales potential in the South China market, and to state at what price and quantity they or their peers might buy the product, and whom might they recommend as local agent for the product. Our office will pay the service charges and in-country shipping cost of each assessment. We will send the PASS results to the U.S. exporters.

Getting ready to ship to China

If the U.S. exporters are interested in following up, they could enter a contractual arrangement with one of the assessors/importers or other importers to serve as their local agent. In addition to whether the agent is able to move one's product, the selection criteria might include whether the agent is able to pay for the goods promptly and to safeguard the product integrity. Pre-packaged products are likely to retain their integrity than re-packaged products.

The selected local agent will be responsible for translating the product label, apply for label clearance and registration, and submit the product for food safety inspection. After the label is approved, the agent will send it to the U.S. exporters for reproduction and attachment to the product. The product with the approved label is then shipped to China and the local agent will distribute through the agent's sales network and contacts.

Generally, at the label clearance stage, the U.S. exporters will need to send 3 kg of their products as samples for inspection and registration. While the products are being approved for sale in China, the exporters will need to decide how to promote their products and who is responsible for what cost in the promotion. They also need to decide on the role of the local agents, whether they are to receive a flat fee for their service, a commission on the sale of product, or an outright buyer of the products.

Cost

As of this writing, the cost of registering a label is 350 yuan (US\$43), the import tax for food products is 19 per cent, and the VAT is 17 per cent. Most supermarkets charge an entry fee of 100-200 yuan (US\$13-26) for each product item. And the cost of a 1-month 1 square meter of display area is 1,000 yuan (US\$121). The products most marketable in South China are food for children, especially those of school age; health and nutrition products, snack food, and other consumer-ready food products. U.S. exporters must pay close attention to the health regulations for these products.

Contact

If you are interested to use the product assessment support service (PASS), please contact the U.S. Agricultural Trade Office, China Hotel Office Tower, 14th Floor, Liu Hua Lu, Guangzhou, China 510150. Attention: Ms. Sharon Zhang. You can also fax your expression of interest to 011-8620-8666-0703.

To find out more about the products of interest to the target supermarket in Guangzhou, contact the ATO Guangzhou office or the ATO Hong Kong office after August 2002.